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# THE *Demand and Price* SITUATION

BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

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## SUMMARY

High business activity continues to sustain domestic demand for farm products. Industrial production remains close to recent peaks. Nonagricultural employment rose in May to record levels, but manufacturing employment declined slightly because of a slackening in production of certain nondurable goods.

Agricultural exports also are high. Recent developments are the 350 million-dollar foreign relief legislation and the 400 million-dollars aid for Greece and Turkey, part of which will be used to finance exports of agricultural products.

Important in the outlook for farm production are prospects for a wheat crop of 1,400 million bushels, but for yields of corn reduced by unfavorable spring weather.

## ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1946		1947				
		Year	Apr.	Feb.	Mar.	Apr.	May	
Industrial Production <u>1/</u>	: 1935-39 :							
Total.....	= 100 :	170	165	189	190	186	186	
All manufactures.....	" :	177	176	197	198	194	192	
Durable goods.....	" :	192	190	222	225	222	220	
Nondurable goods.....	" :	165	164	176	176	173	170	
Minerals.....	" :	134	104	146	148	142	152	
Construction activity <u>1/</u>	: 1935-39 :							
Contracts, total.....	= 100 :	263	296	263	230	232		
Contracts, residential.....	" :	343	422	373	316	301		
Wholesale prices <u>2/</u>	: 1935-39 :							
All commodities.....	= 100 :	150	137	179	185	183	182	
All commodities except farm	:							
and food.....	" :	135	127	158	161	162	162	
Farm products.....	" :	196	178	224	240	233	231	
Food.....	" :	165	140	205	212	205	202	
Prices received and paid by	: 1910-14 :							
farmers <u>3/</u>	= 100 :							
Prices received, all prod.....	" :	233	212	262	280	276	272	
Prices paid, interest and taxes..	" :	194	181	221	227	230	229	
Parity ratio.....	" :	120	117	119	123	120	119	
Consumers' price <u>5/ 6/</u>	: 1935-39 :							
Total.....	= 100 :	139	131	153	156	156	156	
Food.....	" :	160	142	182	190	188	188	
Nonfood.....	" :	128	126	137	138	138	138	
Income	: 1935-39 :							
Nonagricultural payments <u>4/</u> .....	= 100 :	239	233	253	254	252		
Income of Industrial Workers <u>3/</u>	" :	270	252	309	313	310		
Factory payrolls <u>5/</u> .....	" :	284	271	331	334	330		
Weekly earnings of factory	: Dollars :							
workers <u>5/</u>	:							
All manufacturing.....	" :	43.73	42.88	47.29	47.72	47.44		
Durable goods.....	" :	46.48	45.71	49.72	50.31	50.38		
Nondurable goods.....	" :	41.01	40.13	44.69	44.94	44.25		
Employment	:							
Total civilian <u>7/</u> .....	Millions:	55.2	54.1	55.5	56.1	56.7	58.3	
Nonagricultural <u>7/</u> .....	" :	46.9	45.9	48.6	48.8	48.8	49.3	
Agricultural <u>7/</u> .....	" :	8.7	8.2	6.9	7.3	7.9	9.0	
Government finance (Federal) <u>8/</u> ..	Mil.dol.:							
Receipts, net.....	" :	3,467	2,677	4,378	5,701	2,556	2,865	
Expenditures.....	" :	3,817	4,251	3,946	3,492	3,981	4,466	

Annual data for the years 1929-46 appear on page 11 of the April 1947 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury. Data for 1946 are on average monthly basis.



## OUTPUT AND EMPLOYMENT

Overall industrial production in May continued at the April level of 186 (1935-39 = 100), slightly below the peacetime record of 190 for March (Federal Reserve Board indexes). Steel production continued at a peacetime high except for a temporary decline early in the month caused by work stoppages. Automobile production, on the other hand, remained below the March peak, primarily because shortages of sheet and strip steel forced some plants to slow down.

After remaining virtually constant during the first four months of the year, nonagricultural employment in May increased to a postwar high of 49.4 million, according to estimates of the Bureau of the Census. This is about 600,000 greater than employment in April, 300,000 greater than the peaks of November and December 1946, and 3.4 million greater than in May 1946. The gain from April to May came in trade and service enterprises. Employment in manufacturing industries declined slightly, according to preliminary reports. Agricultural employment increased 1.0 million from April to May, reflecting the spring rise in farm work. Total civilian employment therefore increased by 1.6 millions, from 56.7 to 58.3 million persons. Since the labor force increased by only 1.2 millions, the number unemployed declined. Unemployment of 2.0 millions in May was 400,000 smaller than in April and only 100,000 greater than the postwar low of November 1946.

## INCOME AND RELATED FACTORS

Total income payments fell slightly in April to a seasonally adjusted annual rate of 176.1 billion dollars, about 1.5 billions less than in March. Chiefly responsible for the decline was a small drop in salary and wage payments resulting from work stoppages in various industries and a shorter workweek in textiles, apparel, leather, and a few other industries producing nondurable goods.

Salary and wage payments in April reflected only a small part of the wage raises negotiated recently, since most of the raises became effective in the last week of the month. Salary and wage payments probably were increased in May, because wage raises are reported in some firms of almost all industries and because there were no widespread work stoppages or unemployment.

The dollar volume of sales at department stores rose sharply in May to equal the previous high of August, 1946. The Federal Reserve Board reported the index of daily average sales, seasonally adjusted, as 290 in May (1935-39 = 100) — 6 percent higher than for April, 7 percent higher than the average for the first four months, and 12 percent higher than for May a year ago. Rises in prices may account for most of the increase in sales over May of last year, but a slight gain in volume over earlier months of this year was indicated.

## COMMODITY PRICES

Prices received by farmers are being maintained at relatively high levels by the strong domestic and foreign demand for farm products. This demand results from current high domestic employment and income, and from heavy purchases for export. The index of prices received by farmers in June declined only one point to 271 percent of the 1909-14 average, continuing the moderate seasonal decline from the peak of 280 in March.

Truck crop prices dropped sharply from May to June, considerably more than normal for the season. Wheat prices were lower, reflecting prospects for a record crop. Prices of dairy products declined a little more than they usually do at this time of year.

Sharply higher corn prices partly offset these declines. This rise was caused primarily by heavy demand for feed grains in both domestic and export markets at a time when cold, rainy weather delayed planting to a point that affected adversely the prospects for the 1947 crop. Also, meat animal prices in June averaged three percent higher than May, and cotton prices were up slightly.

During the next few months, prices received by farmers for most crops are expected to decline seasonally as marketings from 1947 crops influence prices. Feed grains, however, will probably remain high. Prices of eggs and of several dairy products are likely to rise moderately during the summer months, but prices of livestock and other livestock products are expected to change little.

Prices paid by farmers including interest and taxes in June averaged 230 percent of the 1910-14 average, one point higher than May and the same as the April peak. Prices paid for feed advanced to the highest level since last August. Food prices also were slightly higher in June. These increases were largely offset by lower prices for building materials, clothing, furniture, and auto tires.

In general, the index of prices paid by farmers is expected to continue at high levels during the next few months.

The parity ratio--the ratio of prices received to prices paid, interest and taxes--was 118 in June, compared with 119 in May and 123 in March.

The index of wholesale prices of all commodities, as reported by the Bureau of Labor Statistics, was steady during May around 147 percent of the 1926 average. This index rose slightly in early June and was at 147.8 for the week ending June 21. Higher wholesale food prices accounted for the moderate rise.

The BLS consumer price index for May was 156 percent of the 1935-39 average, the same as in April. The food price index for May also was unchanged at 188.

#### AGRICULTURAL EXPORTS

Exports of agricultural products from the United States in the first quarter of 1947 totaled 910 million dollars, 8 percent more than in the same quarter of 1946. Exports plus military shipments of food to foreign civilians amounted to more than a billion dollars.

The physical quantity of agricultural exports plus military shipments to foreign countries in the first quarter probably was slightly smaller than the quarterly average for 1946. However, it was about twice as large as in prewar years. The physical quantity of exports during 1947 is expected to be only a little smaller than that during 1946.

Additional data on total agricultural exports may be found in the Demand and Price Situation for May, pages 5 and 6.

#### The Food Component of Agricultural Exports

In the critical period following the end of the war, exports of foods and foodstuffs from the United States have been much larger than before the war. In 1946 their average quarterly value was more than 500 million dollars, almost 8 times as much as prewar. In the first quarter of this year their value was close to 600 millions, 9 times prewar. (See table on following page). The physical quantity of food exports in 1946 and the first quarter of 1947 was probably well over three times the prewar quantity.



Table 1.- Value and relative importance of exports of foods and of other agricultural products, United States, quarterly, in specified periods

Year and period	: Grains and grain products : 1/	: Other food-stuffs :	: Total food-stuffs : 2/	: Cotton including lintners :	: Tobacco, unmanufactured :	: Total agric. exports : 3/
	Value					
	: Million dollars	: Million dollars	: Million dollars	: Million dollars	: Million dollars	: Million dollars
1935-39 quarterly average	: 24	: 44	: 68	: 80	: 32	: 187
1946						
First quarter	: 225	: 403	: 628	: 101	: 77	: 843
Second "	: 187	: 361	: 548	: 148	: 95	: 830
Third "	: 179	: 320	: 499	: 144	: 65	: 733
Fourth "	: 197	: 240	: 437	: 143	: 115	: 733
Quarterly average	: 197	: 331	: 528	: 134	: 88	: 785
1947						
First quarter	: 320	: 278	: 598	: 169	: 93	: 910
	Relative importance					
	: Percent	: Percent	: Percent	: Percent	: Percent	: Percent
1935-39 quarterly average	: 13	: 23	: 36	: 43	: 17	: 100
1946						
First quarter	: 26	: 48	: 74	: 12	: 9	: 100
Second "	: 23	: 43	: 66	: 18	: 11	: 100
Third "	: 24	: 44	: 68	: 20	: 9	: 100
Fourth "	: 27	: 33	: 60	: 20	: 16	: 100
Quarterly average	: 25	: 42	: 67	: 17	: 11	: 100
1947						
First quarter	: 35	: 31	: 66	: 19	: 10	: 100

1/ Excludes mixed feeds, bran and middlings in all periods and grain sorghums in prewar period.

2/ Agricultural crude foodstuffs (Economic class 2) plus agricultural manufactured foodstuffs (Economic class 4). Does not include nonagricultural foods such as fish, baking powder, etc.

3/ The total includes small values of miscellaneous nonfoods that are not separately shown.

In 1946, food was an unusually large proportion of total agricultural exports. It ranged by quarters from 60 to 74 percent of the total, compared with the prewar average of 36 percent.

These figures on food exports do not include military shipments to foreign civilians, which would raise even further both the value and relative importance of food in 1946 and 1947.

Exports of grains and grain products in 1946 bore about the same ratio to other food products as before the war. They averaged about 200 million dollars quarterly, and would have been larger except for tightness of supplies and transportation. Exports of foods other than grains--dairy and poultry products,

meat, fruit, vegetables, and others--averaged about 330 millions quarterly. They were aided by various set-aside orders and other government controls that have since been terminated. In many cases they were merely transferred from stocks already abroad.

Grains became relatively more important than other foods in the first quarter of 1947. They jumped to about 320 million dollars, more than half the value of all foods and 35 percent of the value of all agricultural exports.

Prospects for 1947 are that foods will continue to be a much higher proportion of agricultural exports than before the war. Grain exports will be a larger percentage of total food exports than in prewar years or in 1946.

#### UNRRA and Lend-Lease Financing of Food Exports

One reason food exports were proportionately higher in 1946 than prewar was the effect of UNRRA and Lend-Lease financing. Almost all the purchases of agricultural products by the two agencies were foods. Their purchases of foods were possibly 40 percent of the value of all food exports in 1946.

In the first quarter of 1947, however, Lend-Lease funds were no longer being used and UNRRA funds were less important than in 1946.

#### Exports of Products other than Foods

The principal nonfood agricultural exports are cotton and tobacco. In 1946, cotton exports were valued at 134 million dollars compared with 80 millions in prewar years. The number of bales, though, was 28 percent less than the prewar average. The first quarter of 1947 showed a continued upward trend in cotton exports in both value and quantity.

The value of unmanufactured tobacco exports in 1946 was more than  $2\frac{1}{2}$  times the prewar average and the quantity was about 58 percent above the prewar average. In the first quarter of 1947 the value was higher than the average quarterly rate in 1946 but the quantity was about 4 percent lower.

#### FARM INCOME

During the first six months of 1947, farmers received around 11.7 billion dollars from the sale of their products, 30 percent more than last year. Including Government payments, the total cash receipts were nearly 12 billion dollars, about 25 percent above last year.

Receipts from livestock and products in the six months were about 7.9 billion dollars, up nearly 40 percent over the same period of 1946. The largest gain, 60 percent, came from meat animals, because of much higher prices and some increase in marketings. Cash receipts from dairy products showed an increase of about 30 percent over last year, but only 10 percent when dairy production payments are added to last year's receipts. Income from poultry and eggs exceeded last year by 10 percent, for although marketings were down, prices of all products except turkeys were higher.

Cash receipts from crops in the first half of 1947 probably were close to 3.8 billion dollars, nearly 20 percent above the same period in 1946. Most of the gain was in grains and tobacco.



According to preliminary estimates, farmers received about 2 billion dollars from marketings in June, 30 percent more than a year ago. When Government payments are included the percentage gain is slightly less. Receipts from live-stock and products were nearly 50 percent greater than in June 1946. Receipts from meat animals were about double last year; and dairy products and poultry and eggs were well above the 1946 levels. Cash receipts from crops in June were only a little greater than a year ago. Increased cash receipts from feed crops were offset by lower returns from fruits.

Cash receipts were higher in June this year than last partly because the volume of marketings was small in June last year. In that month, producers tended to hold meat animals off the market in anticipation of higher prices.

### LIVESTOCK AND MEATS

Demand for meat for domestic consumption and for export continues unusually strong. Meat-animal prices in mid-June averaged nearly 50 percent higher than a year earlier and were only 2 percent below the all-time high in March, even though meat production this spring has been greater than a year earlier and much above average.

Meat production this summer probably will be greater than in the same period of 1946 because of an increase in beef and veal. Meat output this fall and winter may be about the same as a year earlier. About 53 million pigs were saved in 1947 spring season, only slightly more than in the spring of 1946, indicating that hog slaughter this winter will be about the same as last winter. Cattle slaughter probably will continue large but may be smaller than the record slaughter of the fall and winter of 1946-47 since cattle numbers are now declining.

If feed/<sup>grain</sup>production is notably short this fall, it will reduce meat supplies significantly beginning in early 1948. Meat output through the remainder of this year, however, will not be affected greatly by grain production. A small corn crop would in fact tend to encourage early marketings of hogs, and to cause more low grade cattle to be sold for slaughter rather than be retained for further feeding. A crop of soft corn, which could not be stored well, would tend to increase feeding and slaughter of both hogs and cattle during the fall and early winter months.

In general, prices of meat animals are expected to continue high, at least through the summer. As more grass cattle go to market this summer, prices of lower grade slaughter cattle and of stockers and feeders are likely to decline at least seasonally. Prices of well-fed cattle probably will continue around present high levels because of small supplies for slaughter relative to the unusually strong demand. Hog prices probably will continue high through early fall, but a seasonal reduction in prices is in prospect for late fall as 1947 spring pigs begin coming to market in volume. Lamb prices are likely to decline through early fall with increased marketings. Because of the small lamb crop this year the decline in lamb prices probably will be only moderate, particularly if consumer spending continues high.

Production of meat in 1947 probably will total around 23 billion pounds (dressed meat basis). Exports and shipments of meat are currently running almost twice as large as prewar. For the entire year they are likely to be materially larger than the 1937-41 yearly average of around 300 million pounds (dressed meat basis). Their total quantity will be much less, however, than in the war years or in 1946, and will be no more than 3 percent of total production.

Civilian meat supplies for the year 1947 probably will be around 150 to 155 pounds per person, higher than most of the war years and well above the 134 pounds per person in 1937-41.

#### DAIRY PRODUCTS

Wholesale prices of dairy products are now below the long-time relationship to the general levels of wholesale food prices.

Fluid milk prices are now relatively higher than butter and cheese prices. Both butter and cheese rose sharply after termination of price controls but declined later. The butter-cheese price ratio is now near the long-time average, after having been very favorable for cheese during the first quarter.

Milk production for the remainder of 1947 is not expected to be much different from 1946, but more milk will go into butter and cheese production. Butter production will probably decline less than seasonally this year. Cheese production is likely to decline more than seasonally, and evaporated milk output will remain at about present levels.

#### POULTRY AND EGGS

Demand for eggs continues strong. Consumption for the first half of 1947 was approximately 205 eggs per person, 5 percent more than last year and about equal to the 1945 record for the period. During the first half of 1947, farmers received an average price of 40.5 cents per dozen. Although this is the highest average on record, it was only 93 percent of parity. Egg prices will continue above last year, but may not rise quite as much as usual this fall.

Purchases of dried and frozen eggs by the Department of Agriculture for May and June delivery averaged an equivalent of one-half million cases of shell eggs weekly. This is more than in previous weeks. Total purchases from January 1 to June 20 were equivalent to about 8 million cases of shell eggs.

Chicken and turkey prices changed little during the first half of 1947. Supplies of chicken in the second half of this year will be moderately below the second half of 1946, while turkey supplies will be substantially less. Chicken prices are likely to decline moderately because of seasonal increases in supplies of chickens and red meat and possibly lower meat prices. Turkey prices, however, are not likely to drop, and may even increase.

#### FATS, OILS, AND OILSEEDS

The rapid decline in prices of most fats and oils that began in mid-March was checked in late May, although linseed oil prices declined fairly sharply at that time. In mid-June, prices of edible vegetable oils were moderately lower than in mid-May and prices of lard, inedible tallow, greases, and coconut oil were nearly as high or slightly higher. Government buying was a factor in the lard market during this period. The index of wholesale prices of 27 major fats and oils on June 13 was 216 (1935-39 = 100), compared with the postwar peak of 300 in March 1947 and 166 in June 1946.

Disappearance of most major fats and oils from factories and warehouses was sharply reduced in April. Production changed little but factory and warehouse stocks rose 95 million pounds during the month, the largest increase for any month since March 1944. However, total stocks of 1,428 million pounds (crude basis) on April 30 were still about 190 million pounds smaller than a year earlier and were



much below prewar. Factory and warehouse stocks will decline seasonally through the summer and on October 1 will probably be as small as last year's stocks, which were the lowest in 18 years.

Production of fats and oils from domestic materials in 1947-48 probably will be over 10 billion pounds compared with an estimated 9.4 billions in the 1946-47 season. Peak production to date was 11 billion pounds in 1943-44, a year when hog slaughter and lard and grease production reached all-time highs.

Prices of fats and oils in 1947-48 will average lower than in 1946-47 but will remain well above prewar levels. Many prices will probably remain above wartime ceilings. Price supports for flaxseed and soybeans in the U. S. in 1947-48 will tend to set minimum prices for linseed and soybean oils. Production in Europe and America and export supplies in other parts of the world are likely to increase, but probably will be insufficient to provide a level of consumption per person in the Northern Hemisphere as high as prewar.

#### CORN AND OTHER FEED

In recent weeks feed prices have fluctuated with changes in 1947 feed crop prospects. During May and early June, there was a marked increase in the price of corn and lower-protein feed concentrates, reflecting poor conditions for planting the corn crop, large exports of corn, and a strong demand for domestic processing. The price of No. 3 yellow corn at Chicago exceeded \$2.00 per bushel in early June, the highest price so far this crop year. The higher feed prices caused livestock-feed price ratios to become relatively unfavorable to livestock producers in early June.

The strong export and domestic commercial demand for grains, and prospects for the 1947 corn crop, are expected to continue to influence feed prices during the next few months. A shift in exports from corn to wheat is occurring.

Excessive rainfall, floods, and cool weather this spring over large areas of the Corn Belt are affecting adversely the prospects for feed-grain production this year.

Government loan and purchase programs were announced in June for 1947 crops of oats, barley, and grain sorghums. Loan rates, which vary by counties, will average 63 cents per bushel for No. 3 or better oats, \$1.03 for No. 1 barley, and \$2.12 per 100 pounds for No. 2 or better grain sorghums.

Although marketings of corn are declining seasonally, they probably will continue at record or near-record levels during the summer months. From April through early June the Government purchased about 19 million bushels of corn for export, bringing the total for the season up to 75.7 million bushels.

#### WHEAT

A seasonal decline in wheat prices, representing adjustment to new crop conditions, started in late May and may continue into August or September. Because of the very large export demand, however, the price decline will be less than it usually is when a very large crop is marketed.

Loans on the 1947-crop wheat, based on 90 percent of the June parity of \$2.03 were announced June 30. The national rate on a farm loan basis averages \$1.83 which is interpreted at \$2.03 for No. 1 Hard Winter at Kansas City and Omaha; at \$2.05 for No. 1 Heavy Dark Northern Spring at Minneapolis, and \$1.98 for No. 1 Soft White



or Western at Portland. In addition to the loan program, the Department announced that purchase agreements will be offered growers through December 31, 1947 for wheat to be delivered to the CCC following the maturity date of the 1947 wheat loans. Purchase prices will be the same as the corresponding loan delivery rates.

Wheat production was estimated as of June 1 to reach 1,410 million bushels. This is 254 million bushels larger than last year's record, and the fourth consecutive crop (the fifth ever) of over a billion bushels. If domestic disappearance in 1947-48 is 800 million bushels, a crop of this size would leave 610 million bushels for export in 1947-48 and for addition to carry-over on July 1, 1948. The export demand for wheat is again expected to be very large, and will be increased by the reduction in quantity of corn available for export. Wheat exports, however, may be limited to some extent by heavier feeding resulting from a smaller corn crop and by transportation and port facilities. Transportation difficulties are likely to be greater and the period of maximum car loadings will be longer than last year.

It is likely that exports of wheat and flour in 1947-48 will be much larger than the 385 million bushels estimated as the total for 1946-47. Even so, the carryover on July 1, 1948 will be increased to a more desirable size than that of July 1 this year.

Moisture conditions in Canada are reported to be favorable. In Argentina, early reports indicate not much change in acreage, but in Australia prospects are for a larger acreage than last year. Early seasonal moisture conditions are generally good in both Argentina and Australia. Winter grain production in Continental Europe probably will be smaller than in 1946, because of an extremely bad winter. The crop in North Africa, except for Tunisia, is satisfactory. Prospects in Soviet Russia are reported to be favorable.

#### FRUIT.

Because of large supplies of citrus fruit and of deciduous fruits other than commercial apples, cherries, and apricots, average prices to growers for most fruits in July and August are expected to be lower than those of a year earlier.

Prices to growers for oranges, grapefruit, and lemons shipped this July and August are expected to rise seasonally but to remain considerably below war-time peaks for the same months. Supplies of these three fruits for summer marketing are considerably above those of a year earlier.

Primarily because of larger production, prices to growers for 1947-crop peaches are expected to average lower than those for the 1946 crop. On the other hand, prices for both sweet and sour cherries are expected to average somewhat higher. Estimated production of both sweet and sour cherries is smaller than in 1946 but larger than average for 1938-45. However, early-season carlot shipments from California, Oregon, and Washington far exceeded last year's shipments for a comparable period. Producers of apricots in the three important States (California, Washington, and Utah) probably will receive a higher season average price for their current crop, which is fully one-third smaller than last year's crop but only moderately smaller than the 1936-45 average. Although the new crops of pears and commercial apples are expected to be somewhat smaller than those of 1946, prices received by growers may average no higher.

#### TRUCK CROPS

During July and August, prices growers will receive for commercial truck crops for fresh market are expected to be considerably higher than last year. Production will be slightly smaller than last year, because bumper crops of cantaloups and

watermelons are not likely to offset reductions in most other crops. Total tonnage for the summer season market of all crops except cantaloups and watermelons may be 14 percent below last year, although still 11 percent above average. The season is generally one to three weeks later than usual.

Carot shipments of vegetables in May and early June have been running approximately one-fifth below last year.

Total 1947 acreage in truck crops for commercial processing is expected to be about 4 percent less than in 1946. Acreages will be smaller for most crops, but the reduction in tomatoes will probably be very slight. Acreages of only two crops, green lima beans and pimientos, will be larger than last year. Producers of processing crops on uncontracted acreage may be able to get prices somewhat higher than they previously expected, because no surpluses are expected from the commercial acreages for fresh market and because stocks of canned vegetables in general are not excessive in relation to anticipated demand.

#### POTATOES

Farmers are expected to receive moderately higher average prices for potatoes in July and August this year than a year earlier. No great surplus of potatoes has been produced in the early States this year to crowd the marketing channels normally supplied by potatoes from later areas. Acreages planted or being planted in intermediate and late areas probably will be about in line with 1947 crop goals. Also, the levels at which potato prices must be supported this year are higher than those of last year because of the increase in parity upon which support is based.

In order to support potato prices as required by law, the Department purchased about 200,000 bushels of this year's early crop. These purchases represented only a little over 1 percent of the quantity which moved in commercial channels and were made up mostly of No. 2 and B size potatoes. Top-quality potatoes have brought and will continue to bring prices above the support levels. When a surplus exists, the support program provides some income to farmers from edible but smaller-sized and lower-grade potatoes that otherwise would not be sold but would be disposed of on the farm.

#### COTTON

Cotton prices moved upward at a comparatively steady rate during the first half of June, but weakened slightly later in the month. Prices at the 10 markets averaged 37.18 cents per pound for June, a little more than one cent above the month of May and only one and one-half cents below the peak of last October.

Volume of sales on the 10 spot markets during the first part of June averaged about 40,000 bales per week compared with weekly sales of about 70,000 bales during the first part of May. Mill buying continued small.

The parity price for cotton on June 15 was 28.52 cents per pound, equal to the record level in April.

Activity in the textile markets increased in early June with print cloths showing the strongest demand, both for domestic use and for export. Prices of most constructions declined some last month and previously scarce constructions are becoming more plentiful.



Domestic mills used 38,476 bales per working day in May, slightly less than the April daily rate, and about the same as the daily rate for the first 9 months of this season. The 827 thousand bales consumed in May brought the total for the first ten months of the marketing season to 8.6 million bales. Mill use during June and July is expected to be slightly below the May rate. The decline may be more than seasonal. Consumption for the season is estimated at about 10 million bales. Assuming domestic use of this amount and net exports of 3 million bales (exports of 3-1/4 million and imports of 1/4 million bales), the carry-over next August 1 would be 3 million bales, or 60 percent less than the carry-over last August 1 and the lowest since 1929.

#### WOOL

Prices received by farmers for wool averaged 38.3 cents a pound in June, the second month after the Government's wool support program ended. This was only 0.7 cents lower than in May and was 4.2 cents lower than the price for June 1946. In the 11 Western States and Texas, prices were generally 3 cents lower than a year earlier.

Prices of fine imported wools remained unchanged during May following a sharp rise during April. Fine Australian good top-making wool was quoted at 99 cents (clean basis in bond) at Boston for the week ended June 6. Prices of Government-owned domestic wools also remained unchanged during the month.

Mill consumption of apparel wool was 277 million pounds (grease basis) during the first quarter of 1947, about the same as the record average rate during 1946. It appears, however, that a moderate decline in consumption occurred during the second quarter and consumption for the year is expected to be in the neighborhood of only 800-900 million pounds. During the first quarter there was some reduction in mill output from the peak of the fourth quarter of 1946. The decline was due almost entirely to a lower production of women's and children's wear fabrics, blankets and woolen knitting yarns. Retail sales of these items declined during the first quarter and inventories in relation to sales at the end of the period were a little higher than normal for this season. It now appears that there is a plentiful supply of woollens and blankets generally and further decline in the production of these items is in prospect.

#### TOBACCO

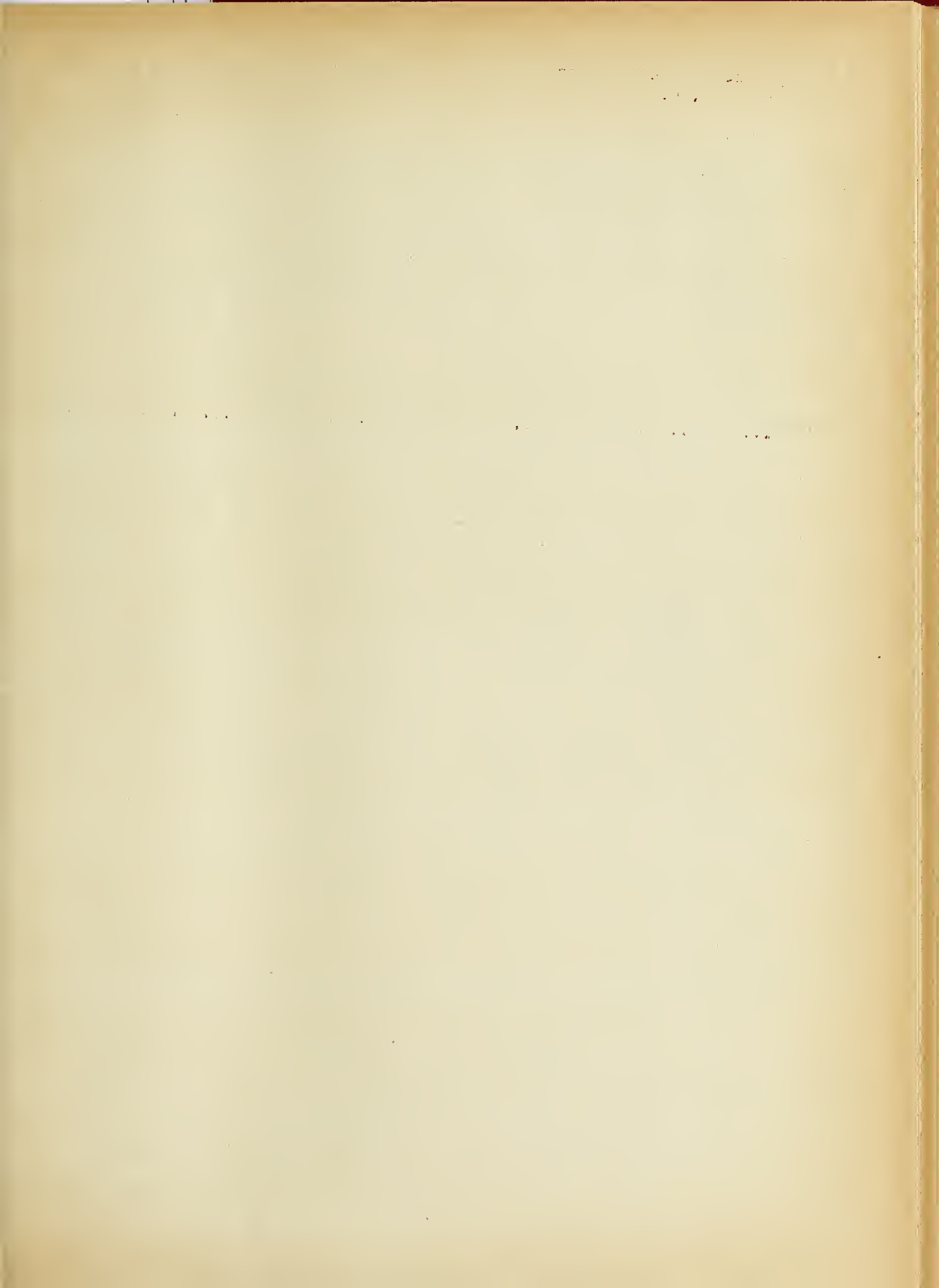
Maryland tobacco prices at auctions declined sharply during the latter part of May. Sales through the first four weeks had averaged 49.6 cents per pound, but in the fifth week averaged 42.3 cents per pound--a drop of 15 percent. Since that time weekly average prices have gained and for the week ending June 20 were 46.3 cents per pound. The season average for 14.5 million pounds sold through June 20 was 45.8 cents, well below prices for the same period during 1946 and 1945, but similar to those during 1944.

The high level of cigarette consumption will be a favorable factor affecting the demand for flue-cured tobacco in the coming season, but export demand is more uncertain because of the steps taken by the United Kingdom to conserve dollars. Support prices will be higher than last year since the parity price has increased.

Cigarette consumption, as indicated by April tax-paid withdrawals, continues at a high level--8 percent above April 1946. In contrast, tax-paid withdrawals of large cigars slumped further in April and were about 15 percent below the same month last year. Chewing and smoking tax-paid withdrawals in April were up slightly from March but a little below April 1946. Snuff in April was 13 percent above March and about the same as April last year.

Exports fell sharply in April, more than the usual for the season. They were 43 percent below the exceptionally high level in April last year.





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